

Message Text

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ACTION AID-59

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FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 6133

UNCLAS NEW DELHI 9392

E.O. 11652: N/A

SUBJECT: TATA ENGINEERING AND LOCOMOTIVE CO. LTD.
(TELCO) - AID LOAN NO. 386-H-120

REF: (A) NEW DELHI 15134

(B) STATE 229681

(C) IMPLEMENTATION LETTER NO. 24

(D) NEW DELHI 6982

SUMMARY: TELCO HAS REQUESTED AID PERMISSION, PURSUANT TO SECTION 7.07(B) OF THE LOAN AGREEMENT TO APPROVE ITS OBTAINING FROM INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI) INCREASED FOREIGN CURRENCY LOAN OF RS. 35 MILLION INSTEAD OF RS. 21.3 MILLION PERMITTED BY AID PER REF C. ICICI LOAN WOULD BE ON PARI-PASSU BASIS WITHUXXISTING CHARGE IN FAVOR OF AID, ICICI AND DEBENTURE HOLDERS.

ACTION REQUESTED: PRIORITY CABLE CONCURRENCE WITH OUR RECOMMENDATION TO PERMIT TELCO OBTAIN PROPOSED ICICI LOAN OF RS. 35 MILLION AND CREATE REQUESTED PARI-PASSU CHARGE SUBJECT TO TELCO OBTAINING SIMILAR APPROVAL FROM DEBENTURE HOLDERS. END SUMMARY.

1. ICICI HAS AGREED TO PROVIDE TELCO INCREASED FOREIGN CURRENCY LOAN OF RS. 30 MILLION (TOTAL FX REQUIREMENT ESTIMATED AT RS. 150 MILLION WHICH TELCO PROPOSES FINANCE FROM THIS UNCLASSIFIED

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LOAN AND BALANCE FROM FREE FOREIGN XCHANGE TO BE PROVIDED BY

GOI) INSTEAD OF RS. 21.3 MILLION AGREED PREVIOUSLY TO ASSIST IN FINANCING TELCO EXPANSION AND REPLACEMENT PLAN (DISCUSSED IN PARA 6 REF D). HOWEVER, TO COVER AND FLUCTUATIONS IN FX PARITIES TELCO PLANS REQUEST ICICI FUTHER INCREASE ITS FX LOAN TO RS. 35MILLION. ON THIS BASIS TELCO HAS REQUESTED AID APPROVAL TO OBTAIN RS. 35 MILLION LOAN FROM ICICI.

2. TELCO FINANCIAL HEALTH AS DESCRIBED IN REFERENCE (D) IS CONSIDERED SATISFACTORY. PROPOSED ICICI LOAN OF RS. 35 MILLION WOULD HELP ETELCO IN IMPLEMENTING ITS EXPANSION AND REPLACE MENT PLAN WHICH WOULD IMPROVE ITS SALES AND PROFITABILITY.

3. TELCO IS CURRENT ON PAYMENT OF ITS PRINCIPAL AND INTEREST UNDER SUBJECT LOAN WHICH IS SCHEDULED TO BE FULLY REPAYED ON JUNE 10, 1975. AS OF MARCH 31, 1973 TELCO FIXED ASSETS OF RS. 474 MILLION PROVIDED AMPLE SECURITY FOR ITS DIFFERENT SECURD LOANS OF RS. 163 MILLION INCLUDING RS. 21.18 MILLION (DOLS EQUIV. 2,762,328) DUE UNDER SUBJECT LOAN. TELCO FIXED ASSETS WILL BE SUFFICIENT TO PROVIDE ADEQUATE SECURITY FOR ICICI PROPOSED LOAN OF RS. 35 MILLION ALONG WITH OTHER EXISTING LOANS. IN ADDITION AID LOAN IS GUARANTEED BY TATA INDUSTRIES PRIVATE LTD. AND TATA SONS PRIVATE LTD.

4. TELCO WILL OBTAIN SIMILAR APPROVAL (OF ITS PROPOSED ICICI LOAN) FROM DEBENTURE HOLDERS.

5. REQUEST PRIORITY CABLE CONCURRENCE.MOYNIHAN

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